



# *FIVE YEAR STRATEGIC BUSINESS PLAN*

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## **OUR MISSION**

Idaho Code 23-102, 23-203, and 23-404 vests the Idaho State Liquor Dispensary (ISLD) with the responsibility to regulate, control, import and sell distilled spirits in the State of Idaho and to exercise its powers to curtail intemperate use of alcohol.

## **OUTCOME BASED VISION:**

The Idaho State Liquor Dispensary curtails the intemperate use of alcohol by limiting access to minors and intemperate consumers. Alcoholic beverages are made available to responsible adults without stimulating the normal demands of temperate consumers. The Idaho State Liquor Dispensary maximizes distributions of profits to state and local units of government by using appropriate retailing and merchandizing procedures and by effectively controlling costs.

## **KEY EXTERNAL FACTORS:**

- Idaho's economic conditions and population growth place substantial demands on the resources needed for efficient operations.
- The Dispensary's business operations may be altered or significantly impacted by new legislation or budget issues.
- Population growth at an estimated 2.6% during 2006 was significantly higher than the 1.7% predicted growth and is projected to continue by just over 2% in each subsequent year. The Dispensary will strategically locate state and contract liquor stores to provide ongoing quality services to its customers in response to this continued growth.
- The Liquor Dispensary will need to recruit and train a highly competent workforce to fill vacancies due to a high number of anticipated retirements and store staffing.
- Liquor production and marketing is producing more and more unique flavored products. The challenge to ISLD will be the ability to absorb new products, expand the product line to reflect changing consumer demands while still retaining traditional products with proven sales and demand records.
- Advancements in Information Technology will require ongoing upgrades and enhancements to improve management and business systems.

## **GOALS:**

### **GOAL #1- Maintain a Low Per Capita Consumption of Distilled Spirits in Idaho.**

#### **OBJECTIVES:**

1. Conscientiously respond to adult consumer demand for new products.

**Strategies:** Provide a reasonable selection of products specific to the tastes and lifestyles of the communities served.

2. Support moderation and temperance by denying availability of our products to minors and intemperate consumers of alcoholic beverages.

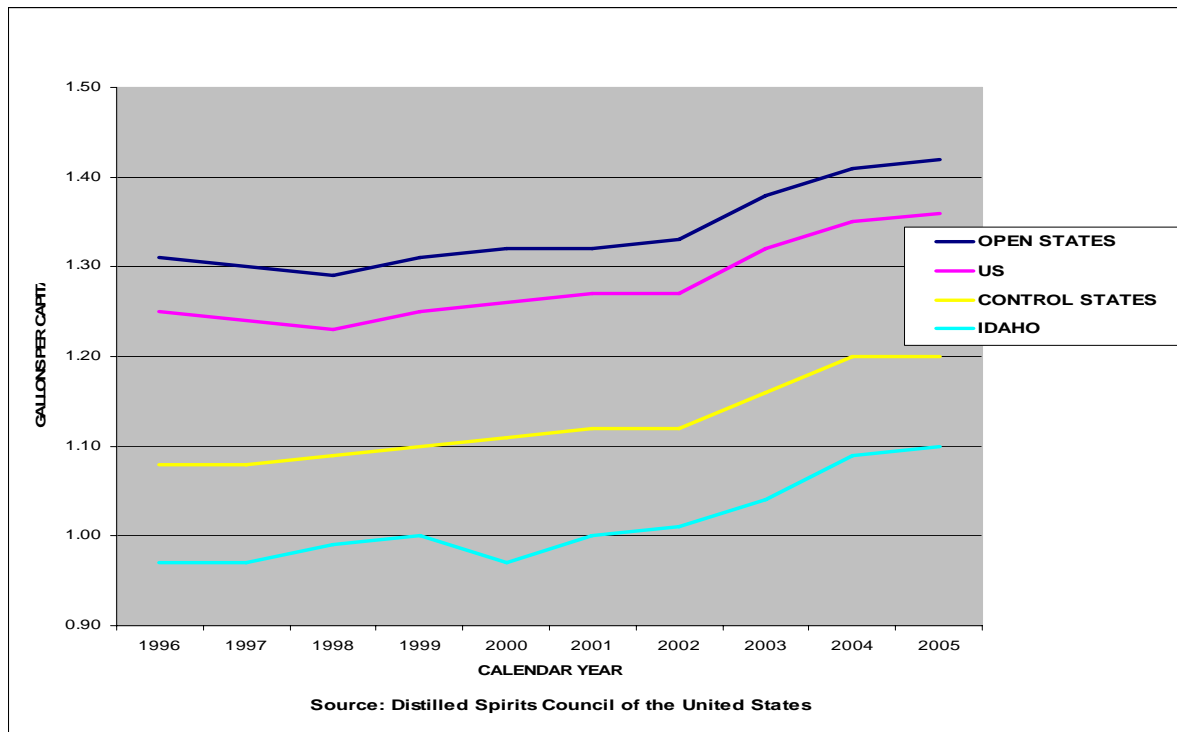
**Strategies:** Through ongoing alcohol education activities, the Liquor Dispensary will inform underage youth about the negative consequences of drinking. The Dispensary will also facilitate training of store personnel on alcohol beverage laws, legal age determination, civil and criminal penalties, and risk reducing techniques to ensure legal and responsible sales of distilled spirits.

3. Control the retail distribution of distilled spirits.

**Strategies:** Uniform pricing, customer service policies and operating procedures will help maintain a stable marketplace.

**PERFORMANCE MEASURES:** National statistics and private studies repeatedly show that sales of alcoholic beverages in a controlled environment reduce illegal and intemperate consumption. Apparent per capita consumption is based on total population and not adults 21 and over. Statistics are based on point of sale and do not take into account cross-border traffic in distilled spirits. Based on the most recent statistics available, consumption in Idaho was 1.10 gallons in 2005 compared with 1.20 gallons for all control states and 1.42 gallons in open states. Consumption in open states is 18% more than in all control states and 29% more than in Idaho. Source: Distilled Spirits Council of the United States.

**BENCHMARKS:** For FY 2008 and beyond, the Dispensary's ongoing benchmark is to continue to adhere to the mission of the Liquor Dispensary as established by Idaho law, provide excellent service to the public and maintain low percapita consumption rates, while maximizing profits for state and local units of government.



**GOAL #2- Maximize financial returns to the state by operating an efficient wholesale and retail business operation.**

**OBJECTIVES:**

1. Complete the Warehouse Expansion project and the installation of warehouse technology systems. Completion date of all Phases of the Expansion project is June 30, 2009.

**Strategies:**

Phase 1: 17,000 square foot expansion to existing facility. To be completed August 10, 2007. Will be used immediately for Holiday 2007 inventory build-up

Phase 2A: Acquire, install and integrate Warehouse Management System (WMS) software, hardware and communication devices. Will enable warehouse to have radio frequency, bar code enabled, paperless and real time inventory processing. To be completed by June 30, 2008.

Phase 2B: Revamp warehouse processes to expand product availability in less than full case quantities. Expanded single bottle availability will permit ISLD to own less store-level inventory. To be completed by June 30, 2008.

Phase 3A: Acquire, install and integrate Automated Storage and Retrieval System in the expanded warehouse space to house pallet loads of bulk inventory. Initial installation will house up to 1,400 full size pallets, future expansion will house up to 2,800 full size pallets.

2. Implement industry best practices in all Dispensary operations.

**Strategies:**

- Collaborate with the National Alcohol Beverage Control Association (NABCA) to implement nationally accepted best practices in the Dispensary's retail operations.
- Streamline and simplify the Dispensary's Listing and De-listing procedures to ensure fairness and equal opportunity for all suppliers to have their products represented.

3. Conveniently locate state and contract liquor stores to effectively serve customers.

**Strategies:** Analyze the State's economic and population trends to properly locate future stores.

4. Provide a convenient and informative shopping experience for the retail and on-premise licensee customer.

**Strategies:** Improve customer service and store presentation, with emphasis on in-store merchandising, design and employee training programs.

5. Maximize Profit Distributions for the Public Good.

**Strategies:**

- Improve distribution and purchasing of distilled spirits with particular emphasis on how to favorably impact cost of goods sold.
- Analyze product consumption trends.

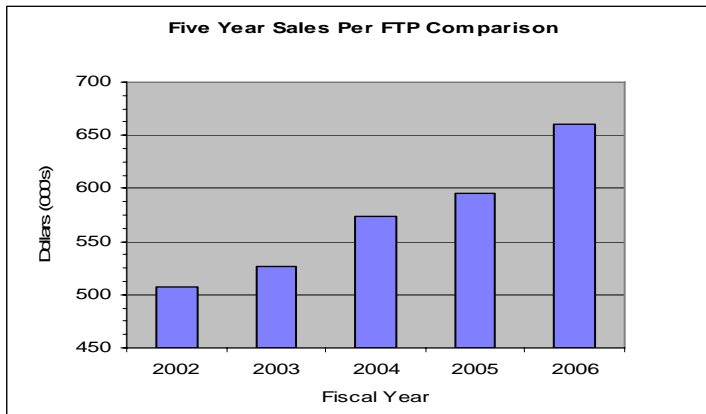
**PERFORMANCE MEASURES:**

- A Warehouse Expansion plan covering FY 2007, 2008 and 2009 has been developed. Phases I and Phase 2A & 2B were approved in the FY 2007 and FY 2008 Budgets. The Dispensary will seek funding in its FY 2009 Budget for Phase 3.

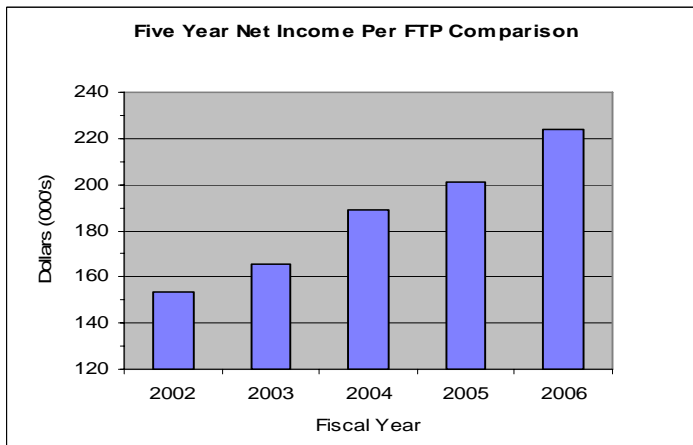
Success of this project will be measured by maximizing space within the current warehouse, accommodating service expectations, improving warehouse management methods, and through the use of automation, achieving better staff utilization and eliminating some health safety concerns.

- During FY 2008 ISLD will conduct at least 2 New Product Listing Meetings to allow suppliers to present new products for possible inclusion in the ISLD product line. As many as 125 items are anticipated during each Listing Meeting, with approximately 25% being selected.
- During FY 2008 ISLD will also select a number of gift-type products for the 2008 Holiday Season.

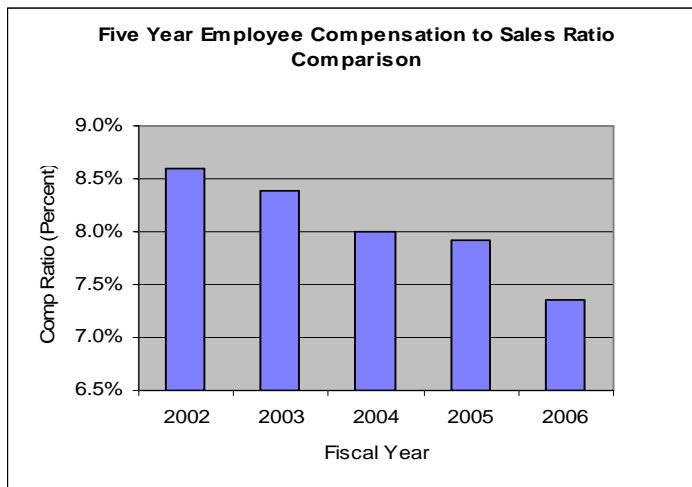
- During FY 2008 product line review will be conducted to identify products for possible discontinuation.
- The most recent figures available indicate that average dollar sales per employee are \$528,000 in the Alcohol Beverage Industry. The Liquor Dispensary average of \$660,000 in FY'06 is projected to reach \$839,000 by 2011.
- The ratio of employee compensation to sales dollars improved from 8.4% in 2001 to 7.3% in 2006. This ratio is projected to further improve over the next five years, by reducing to 6.6% by 2011. This commonly used measure of efficiency is 9.9% nationwide for the retail trade industry, and 11.5% for the retail liquor industry, according to recent IRS Corporate Financial Ratios.



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The most recent figures available indicate that average net income per employee is \$49,000 in the Alcohol Beverage Industry. The Liquor Dispensary average of \$224,000 in FY'06 is projected to reach \$284,000 by 2011.



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### **BENCHMARKS:**

- Warehouse Expansion Shell to be completed August of 2007.
- The Split Case equipment revamp has been moved to FY 2008 as Phase 2B.
- Warehouse Management System moved to FY 2008 as Phase 2A.
- Product retention program continues in development and supplier input.
- Special Order Program will be revamped, automated and streamlined.
- Split case equipment revamp will be completed in FY 2008
- Warehouse Management System software and hardware will be completed in FY 2008. This system will supplement existing Inventory Management and Order Fulfillment software and processes
- Net Profit Margin: For FY 2008 and beyond, the ongoing benchmark is to exceed national industry's average dollar sales per employee.
- Improve ratio of employee compensation to sales dollars to 6.6% in FY 2011. .
- Open 3 new state liquor stores with funds approved by Legislature for FY 2008. Contract liquor stores to be added as population trends warrant.
- Conduct at least two listing sessions in FY 2008.

**GOAL #3- Establish the Human Resource function as a Consultant and Facilitator to the ISLD Management team and as a resource to its employees.**

**OBJECTIVE:**

1. Identify developmental career paths within the organization and facilitate ongoing professional growth opportunities that will meet future staffing needs and sustain a stable, technically proficient and professional workforce.

**Strategies:**

- Determine knowledge and skill levels needed to meet core competencies in successive career levels.
  - Submit budget request for staff development.
  - Encourage development of workforce knowledge and skills through increased training opportunities in communication and leadership.
  - Provide ongoing basic skills training to staff at all levels to assure the Liquor Dispensary's mission and goals are clearly communicated, to ensure quality customer service, and provide fulfilling career opportunities for all employees.
2. Starting immediately, all Central Office Managers will provide a succession plan for their departments, i.e. Administration, HR, Accounting, IT, and Warehouse as will the four District Managers.

**PERFORMANCE MEASURES:**

- Annual reports of ongoing development and progress of succession plan.
- Appropriate hiring lists available to fill vacancies as they occur.

**BENCHMARKS:**

- Career paths for various positions formalized and documented in 2007.
- The ongoing process of cross-training will continue throughout organization with current documentation by position completed by end of FY 2007.
- Staff training needs assessment developed and initiated to establish training priorities by end of FY 2007.
- Submit Budget request to support increased focus on staff training in FY 2008.
- Position Task List format developed and introduced to staff by November 2007 followed with bi-monthly progress reports leading to project completion by May 2008.



3. Implement a process whereby ISLD Human Resource policies and practices are presented for management review and input to ensure alignment with management philosophy in support of business objectives.

**PERFORMANCE MEASURES:**

- ISLD Human Resource policies are regularly reviewed, updated and maintained in alignment with Federal and State laws and the Division of Human Resource rules.

**BENCHMARKS:**

- At least once each Fiscal Year, all ISLD Human Resource policies will be evaluated for compliance and relevance. Updates will occur as needed. The Superintendent and ISLD Management Team will be informed of any recommended changes to these policies and the rationale for the change. Senior Management will participate in the decision making process.
- The process by which the Management Team sets, reviews and uses policies will be formalized by August, 2007.
- The ISLD Management Team will communicate ISLD Human Resource policies to all staff as it relates to the business objectives of the Liquor Dispensary.

**GOAL #4- Information Technology Enhancements.**

**OBJECTIVES:**

1. All State stores to be connected to IDANET, if applicable, to enhance communications and reporting.

**Strategies:** Installation of DSL access to all state stores. Time and Attendance Software implemented for state stores to facilitate automated payroll processing. Dial-up access to State webpage for stores not qualifying for DSL.

2. Upgrade Back Office and register hardware for stores' point-of-sale systems.

**Strategies:** Ensure reliability and performance of point-of-sale system with updated equipment.

3. Consolidate peripheral equipment in state stores.

**Strategies:** Increased efficiency in state stores through consolidation of various peripheral equipment.

### **PERFORMANCE MEASURES:**

- Liquor Dispensary store personnel will have access to information available to all state employees through the internet.
- Increased efficiency and timeliness of payroll records.
- Back Office hardware installed in all stores using point-of-sale systems.

### **BENCHMARKS:**

- Complete installation of DSL access to all state stores by end of FY 2007.
- Completion of hardware updates by FY 2008.

### **GOAL #5-Support Statewide educational programs to reduce youth access, adult alcohol abuse and strengthen prevention programs in local communities.**

#### **OBJECTIVES:**

1. Identify and promote alcohol awareness and strengthen efforts to prevent underage drinking among Idaho's youth.

#### **Strategies:**

- Collaborate with various stakeholders such as the National Alcohol Beverage Control Association (NABCA), industry leaders, law enforcement, legislators, community interest groups, state agencies, colleges and universities, licensees, cities/counties, schools, social service agencies and health care providers to raise public awareness about underage drinking and over-consumption.
  - Participation in local, state and national level groups such as the statewide Enforce Underage Drinking Laws Partnership group.
2. Encourage responsibility and moderation for adults, age 21 and over, who choose to consume alcoholic beverages.

#### **Strategies:**

- Develop and disseminate a wide variety of alcohol education materials to state liquor and contract liquor stores.
- Enhance the Dispensary website to deliver information and resources on alcohol education.

### **PERFORMANCE MEASURES:**

- Track and record the distribution of education materials.

- Monitor compliance checks through onsite and records inspections by the Alcohol Beverage Control Bureau and local law enforcement as well as monitoring training sessions.

### **BENCHMARKS:**

- Continue to update ISLD website.
- Zero citations among state liquor store employees for sales to minors.

**GOAL #6 - Establish a document management system to efficiently manage the creation, use and disposition of all records as well as minimize legal risks, ensure regulatory compliance and preserve necessary documents.**

### **OBJECTIVES:**

1. Contract with Records Management Consultant to identify records of the Liquor Dispensary and generate a records retention schedule. Approve Records Retention Schedule for Dispensary by July 1, 2007.

#### **Strategies:**

- Identify legal requirements, regulatory compliance issues.
2. Records Management policies developed.

#### **Strategies:**

- Develop policies and procedures regarding document management.
3. Document Management software installed and training initiated.

#### **Strategies:**

- By FY 2008- Purchase document management software and equipment for the Central Office. Complete training for all employees
4. Historical records of Liquor Dispensary continually preserved and transferred to State Historical Society.

#### **Strategies:**

Locate and preserve historical documents in accordance with State requirements.